

## Message Text

UNCLASSIFIED

PAGE 01 BERN 04247 301057Z  
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02 ABF-01  
NSC-05 SS-15 STR-07 CEA-01 /120 W  
-----016864 310529Z /73

R 300654Z AUG 78  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 6802  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL ZURICH POUCH

UNCLAS BERN 4247

USMTN ALSO FOR MISSION  
USOECN ALSO FOR EMBASSY  
PASS REAS & FRB

EO 11652: N/A

TAGS: EFIN, SZ

SUBJ: SWISS FINANCIAL REVIEW: WEEK AUGUST 21-25, 1978

1. SUMMARY: DOLLAR STRENGTHENED THROUGHOUT THE REPORTING WEEK. GOLD RETREATED BELOW 200 DOLS. DOMESTIC MARKET QUITE LIQUID; NUMEROUS PRESS REPORTS OF SENSITIVITY OF SWISS EXPORT INDUSTRY TO APPRECIATION OF SF BUT LITTLE LIKELIHOOD OF PROTECTIONIST MEASURES OR ADDITIONAL EXCHANGE MARKET ACTIONS. END SUMMARY.

2. FOREX GOLD: DOLLAR EVIDENCED GRADUAL STRENGTHENING TREND THROUGHOUT THE WEEK, BOUYED ACCORDING TO DEALERS PRIMARILY BY INTEREST RATE DEVELOPMENTS IN THE

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 04247 301057Z

US, ENCOURAGING REPORTS REGARDING U.S. ENERGY POLICY AND ANNOUNCEMENT OF TREASURY'S PLANNED INCREASE IN GOLD AUCTIONS. CURRENCY TRADING MUCH QUIETER THAN IN PREVIOUS WEEKS. GOLD CLOSED DOWN 6.25 DOLS FROM MONDAY, 13. DOLS FROM FRIDAY A WEEK AGO AT 198.75 DOLS. RATES FOLLOW:

8/21 (OPEN) 8/25 (CLOSE)

SPOT DOLLAR 1.6490 1.6780

FORWARD DISCOUNTS

(PCT PER ANNUM)

L MONTH	8.84	8.72
2 MONTHS	8.16	8.01
3 MONTHS	8.22	7.84
6 MONTHS	7.87	7.57
12 MONTHS	7.49	7.30
SF/DM	82.45	82.72
GOLD	205	198.75

3. CAPITAL AND MONEY MARKETS:

(A) ACCORDING TO FINANCIAL PRESS, ZURICH STOCK MARKET EFFECTED DURING THE WEEK BY A HESITANT ATTITUDE ON PART OF INVESTORS DUE TO UNCERTAINTY ON FOREIGN EXCHANGE MARKETS. SKA INDEX CLOSED UP 1.3 POINTS AT 257.8. AVERAGE YIELD ON CONFEDERATION BONDS DECLINED TO 3.31. THREE-MONTH EUROFRANC RATE INCREASED TO 5/8 PCT, 12 MONTH RATE UP SHARPLY OVER THE WEEK AT 1 3/4 PCT. MARKET LIQUIDITY INCREASING: CURRENCY IN CIRCULATION EXPANDED AN ADDITIONAL SF 45.9 MILLION OVER THE PREVIOUS WEEK TO SF 18.9 BILLION, CLEARING ACCOUNTS OF BANKS, COMMERCIAL FIRMS AND INDUSTRY WITH THE SNB INCREASED MORE THAN SF 445 MILLION TO SF 8.3 BILLION, AND OTHER SIGHT DEPOSITS INCREASED SF 20.9 MILLION TO SF 3.7 BILLION.

(B) THE SIZABLE INCREASE IN LIQUIDITY IN THE PAST UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 04247 301057Z

SEVERAL WEEKS CONTRIBUTED TO THE FULL SUBSCRIPTION TO THE WORLD BANK'S SF 250 MILLION, 4 1/2 PCT BOND ISSUE ON THE SWISS CAPITAL MARKET. THERE WAS ALSO HEAVY DEMAND FOR THE SF 70 MILLION BOND ISSUE OF CHASE MANHATTAN OVERSEAS (INTEREST RATE: 4; MATURITY: 1993). THIS IS THE SECOND TIME DURING THE CURRENT YEAR THAT A LARGE AMERICAN BANK HAS TAPPED THE SWISS CAPITAL MARKET (CITICORP'S SF 130 MILLION ISSUE WAS THE OTHER).

4. FEDERAL COUNCIL RE. EUROPEAN MONETARY UNION FINANCIAL PRESS CONTINUES TO CARRY OCCASIONAL ARTICLES HIGHLIGHTING THE GENERALLY OPEN-MINDED YET CAUTIOUS ATTITUDE THE FEDERAL COUNCIL AND THE SWISS NATIONAL BANK MAINTAIN TOWARD THE PROPOSAL TO CREATE A MORE UNIFIED EUROPEAN MONETARY SYSTEM. IN A POSITION STATEMENT THIS WEEK THE COUNCIL AGAIN EXPRESSED ITS INTEREST IN CLEARLY IDENTIFYING THE IMPACT THE PROPOSED SYSTEM WILL HAVE ON PARTICIPATING MEMBERS STATES AND THIRD COUNTRIES AND ITS DESIRE TO RECEIVE THE DETAILS OF THE PROPOSAL AND TO STUDY THE SUBJECT IN DEPTH.

5. PROTECTIONIST TRADE MEASURES UNLIKELY ACCORDING TO SWISS BANK CORPORATION. MARKET OPINION

REPORT BY SBC STATES THERE IS LITTLE LIKELIHOOD THAT PROTECTIONIST TRADE MEASURES OR ADDITIONAL RESTRICTIVE FOREIGN EXCHANGE RELATED ACTIONS WILL BE IMPOSED BY THE SWISS DESPITE THE SHARP APPRECIATION OF THE SF IN THE PAST FEW MONTHS. THE BANK CONTENTS THAT THE SNB WILL ENDEAVOR TO MAINTAIN CONDITIONS OF HIGH LIQUIDITY IN THE MARKET WHICH SHOULD PROVIDE GENERALLY FAVORABLE CONDITIONS FOR THE DOMESTIC CAPITAL AND STOCK MARKETS.

6. NEVERTHELESS, A NUMBER OF PRESS REPORTS DURING THE WEEK HIGHLIGHTED PUBLIC SENSITIVITY TO THE IMPACT OF SF APPRECIATION ON THE NATION'S EXPORT DEPENDENT INDUSTRIES. OFFICIAL REACTION TO THIS SENSITIVITY FOUND EXPRESSION IN THE JOINT FEDERAL

UNCLASSIFIED

PAGE 04 BERN 04247 301057Z

COUNCIL - NATIONAL BANK MEETING LAST WEEK CONCERNING MONETARY AND FOREIGN EXCHANGE MATTERS WHICH ESTABLISHED A WORKING GROUP ON EXPORT PROMOTION AND OTHER ISSUES RELATED TO FOREIGN ECONOMIC POLICY UNDER THE DIRECTION OF AMBASSADOR PAUL JOLLES, DIRECTOR OF FOREIGN TRADE IN THE ECONOMICS DEPARTMENT. TWO OTHER GROUPS WERE ALSO ESTABLISHED: ONE UNDER PIERRE LANGUETIN, GENERAL DIRECTOR OF THE SNB TO ADDRESS INTERNATIONAL MONETARY ISSUES AND ANOTHER TO STUDY THE DOMESTIC ECONOMY AND EMPLOYMENT. SHORTENED WORKING HOURS HAVE BEEN REGISTERED IN A NUMBER OF INDUSTRIES HEAVILY DEPENDENT ON EXPORTS AND THERE ARE PRESS REPORTS OF FURTHER REDUCTIONS IN HOURS IN PROSPECT. SWISS TRADE DATA FOR JULY IN WHICH NUMEROUS BRANCHES OF THE EXPORT INDUSTRY REGISTERED REDUCED SALES (IN VALUE TERMS IN COMPARISON TO THE SAME MONTH LAST YEAR DID LITTLE TO LIFT SPIRITS.

BCROWLEY

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, ECONOMIC REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978BERN04247  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780355-0565  
**Format:** TEL  
**From:** BERN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t1978085/aaaaadzl.tel  
**Line Count:** 154  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 25f46f61-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 29 mar 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1698647  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SWISS FINANCIAL REVIEW: WEEK AUGUST 21-25, 1978  
**TAGS:** EFIN, SZ  
**To:** STATE USMTN  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/25f46f61-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014